

Message Text

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ACTION EB-08

INFO OCT-01 AF-08 ISO-00 EUR-12 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
EA-07 /103 W

-----141907Z 035898 /42

R 141530Z FEB 77

FM AMEMBASSY DAKAR

TO SECSTATE WASHDC 8238

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E.O. 11652: N/A

TAGS: BEXP, ETRD, SG, PFOR

SUBJECT: PROPOSED SENEGALESE-U.S. TREATY OF AMITY AND
ECONOMIC RELATIONS

REF A 67 STATE A-11 (TO DAKAR), B 76 DAKAR 6096,
C 76 DAKAR 7591

1. SUMMARY. IN SPITE OF TREATY OF LOME, SENEGAL HAS NOT
AS YET ABOLISHED REVERSE PREFERENCES DUE TO UNCERTAINTIES
OF ABOLITION ON ECONOMY AND PRESSURES FROM EUROPEAN COMMERCIAL
INTERESTS. IN MEETING WITH AMBASSADOR FEBRUARY 9, FINANCE
MINISTER ASKED IF U.S. WOULD BE WILLING TO SIGN BILATERAL
COMMERCIAL ACCORD WITH SENEGAL, TRADING OFF ABOLITION OF
REVERSE PREFERENCES IN RETURN FOR CONTINUED ELIGIBILITY FOR
GSP OR SUCCESSOR SYSTEM. EMBASSY RECOMMENDS CONSIDERATION
OF THIS IDEA AND, IF DEPARTMENT CONCURS, WOULD LIKE TO BEGIN
PROCESS BEFORE FINANCE MINISTER'S NEXT TRIP TO U.S. PLANNED
FOR APRIL. END SUMMARY.

2. IN JULY OF 1976, SENEGALESE NATIONAL ASSEMBLY PASSED
LAW IMPOSING IMPORT TAX ON EUROPEAN COMMUNITY (EC)
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MERCHANDISE WHICH WOULD HAVE PLACED EC GOODS ON EQUAL
TARIFF BASIS WITH U.S. AND OTHER INDUSTRIAL COUNTRIES.
THIS LAW WAS NEVER IMPLEMENTED, PRESUMABLY DUE TO PRESSURES
FROM EUROPEAN TRADING COMPANIES AND UNCERTAINTIES AS TO
EFFECT OF ONE-STEP ABOLITION ON SENEGALESE ECONOMY.
THERE WAS ALSO DISAGREEMENT AS TO WHETHER TARIFFS SHOULD
BE RAISED FOR EC, LOWERED FOR OTHERS, OR WHETHER SOME

INTERMEDIATE SOLUTION SHOULD BE ADOPTED. THE GOVERNMENT HAS FINALLY DECIDED TO ADOPT A FIVE PERCENT TARIFF OR "DROIT DE DOUANE" ON MERCHANDISE FROM THE EC, WITH TEN PERCENT TARIFF ON MERCHANDISE FROM OTHER INDUSTRIALIZED COUNTRIES INCLUDING U.S. THIS GOS DECISION WAS ANNOUNCED IN DAILY LE SOLEIL FEBRUARY 8. PREVIOUSLY "DROIT DE DOUANE" VARIED FROM ZERO TO 25 PERCENT AND EC MERCHANDISE WAS EXEMPT.

3. TO PUT THIS MOVE INTO PERSPECTIVE, IT IS NECESSARY TO REVIEW BRIEFLY THE SENEGALESE TARIFF STRUCTURE. "DROIT DE DOUANE" IS SECOND OF FIVE SEPARATE TAXES IMPOSED ON IMPORTS. ASSESSED VALUE OF MERCHANDISE FOR EACH TAX INCLUDES AMOUNT OF PRECEDING TAX. THUS, FIVE PERCENT DIFFERENCE IN "DROIT DE DOUANE" CAN MEAN 35 PERCENT DIFFERENCE IN FINAL TAX-PAID VALUE. DISCRIMINARY EFFECT OF REVERSE PREFERENCES IS MUCH LESS THAN IT WOULD APPEAR, HOWEVER, SINCE IMPORTS ON GOVERNMENT ACCOUNT OR FOR COMPANIES ENJOYING "PRIORITY STATUS" UNDER INVESTMENT CODE (VIRTUALLY ALL MAJOR ENTERPRISES IN THE COUNTRY) PAY ZERO OR MINIMAL IMPORT TAXES. U.S. IS SECOND SUPPLIER TO SENEGAL AFTER FRANCE IN SPITE OF BARRIERS, BUT THERE IS LITTLE DOUBT THAT PREFERENCES HOLD DOWN OUR MARKET SHARE BY DISCOURAGING EXPORTERS FROM MARKET ENTRY.

4. IN MEETING WITH FINANCE MINISTER BABACAR BA ON FEBRUARY 9, AMBASSADOR EXPRESSED OUR DISAPPOINTMENT WITH LATEST GOS MOVE ON TARIFFS OUTLINED IN PARA 2 ABOVE, ESPECIALLY IN CONTEXT OF EXPANDING AMERICAN ASSISTANCE AND PRIVATE INVESTMENT IN SENEGAL. MINISTER REPLIED THAT HE LIMITED OFFICIAL USE

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UNDERSTOOD AND SHARED U.S. OBJECTIVE OF REMOVING PREFERENCES, BUT THAT IT WAS NOT POSSIBLE TO DO SO AT ONCE WITHOUT HAVING SERIOUS EFFECTS ON THE ECONOMY. HE PROPOSED A BILATERAL COMMERCIAL ACCORD, SUCH AS JAPAN RECENTLY CONCLUDED WITH SENEGAL (REF C), WHICH WOULD GUARANTEE NON-DISCRIMINATORY ACCESS TO SENEGALESE MARKET IN RETURN FOR CONTINUED SENEGALESE ELIGIBILITY FOR GSP. (SENEGAL HAS NOT TAKEN ADVANTAGE OF GSP ELIGIBILITY TO DATE AS IT DOES NOT ISSUE UNCTAD FORM A WHICH IS REQUIRED BY US AUTHORITIES).

5. EMBASSY BELIEVES BA'S SUGGESTION OF BILATERAL COMMERCIAL ACCORD SHOULD BE EXPLORED. (WE NOTE THAT IN 1976 (REF A), DEPARTMENT ASKED EMBASSY TO REPORT ON FEASIBILITY OF BILATERAL "TREATY OF AMITY AND ECONOMIC RELATIONS" AND SENT ENGLISH AND FRENCH DRAFTS OF MODEL AGREEMENT, BUT WE HAVE NO RECORD OF EMBASSY RESPONSE.) BA TOLD AMBASSADOR HE PLANS TO ATTEND LDC STRATEGY SESSION ON INTERNATIONAL ECONOMIC QUESTIONS IN NEW YORK DURING APRIL AND HE SUGGESTS SIGNING AGREEMENT AT THAT TIME. THEREFORE, IF DEPARTMENT AND OTHER AGENCIES CONCUR,

EMBASSY WOULD LIKE TO MOVE FORWARD ON PROPOSED TREATY BEFORE APIRL. UPON RECEIPT OF GUIDANCE FROM WASHINGTON, AMBASSADOR WOULD LIKE TO MAKE POSITIVE RESPONSE ON ISSUE TO OTHER HIGH LEVEL OFFICIALS WHILE GOVERNMENT'S ATTENTION IS FOCUSED ON IT.

6 ACTION REQUESTED: GUIDANCE ON EMBASSY RESPONSE TO GOS REQUEST FOR BILATERAL COMMERCIAL ACCORD BASED UPON EXCHANGE OF US NON-DISCRIMINATORY ACCESS TO THE SENEGALESE MARKET FOR CONTINUED SENEGALESE ELIGIBILITY UNDER GSP OR SUCCEEDING LDC PREFERENCE SYSTEM IN US.
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Message Attributes

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Sent Date: 14-Feb-1977 12:00:00 am
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Disposition Comment: 25 YEAR REVIEW
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